

6044
RECEIVED
LEGISLATIVE AUDITOR
2012 MAY 10 AM 8:47

LOUISIANA QUARTERHORSE BREEDERS ASSOCIATION, INC.

VIDEO POKER TAX SUPPLEMENT FUND

ALEXANDRIA, LOUISIANA

ANNUAL FINANCIAL STATEMENTS

AND

AUDITOR'S REPORTS

FOR THE YEAR ENDED DECEMBER 31, 2011

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date **MAY 16 2012**

**LOUISIANA QUARTERHORSE BREEDERS ASSOCIATION, INC.
VIDEO POKER TAX SUPPLEMENT FUND
ALEXANDRIA, LOUISIANA**

Table of Contents

Independent Auditors' Report	1
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Activities	4
Statement of Cash Flows	5
Notes to Financial Statements	6
OTHER REPORT REQUIRED BY GOVERNMENT AUDITING STANDARDS	
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	10
Schedule of Findings and Questioned Costs	12
Prior Year Findings	13

FINANCIAL STATEMENTS

Paul Dauzat, CPA

MEMBER
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 12359
Alexandria, LA 71315

MEMBER
SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Board of Directors
Louisiana Quarterhorse Breeders Association, Inc.
Video Poker Tax Supplement Fund
Alexandria, Louisiana

I have audited the accompanying Statement of Financial Position of the Video Poker Tax Supplement Fund of Louisiana Quarterhorse Breeders Association, Inc., (a non-profit, quasi-public organization) as of and for the year ended December 31, 2011 and the related Statements of Activities and Cash Flows for the year ended December 31, 2011. These financial statements are the responsibility of the Organization's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As discussed in Note A, the financial statements present only the Video Poker Tax Supplement Fund Inc., and the results of its operations and cash flows in conformity with U.S. generally accepted accounting principles.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Video Poker Tax Supplement Fund of Louisiana Quarterhorse Breeders Association, Inc., as of December 31, 2011, and the results of its changes in net assets and its cash flows for the year ended December 31, 2011, in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, I have also issued my report dated February 15, 2012 on our consideration of the Organization's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations and contracts.



Certified Public Accountant
February 15, 2012

**Louisiana Quarterhorse Breeders Association, Inc.
Video Poker Tax Supplement Fund**

**Statement of Financial Position
December 31, 2011**

ASSETS

Cash and cash equivalents	<u>\$ 152,460</u>
---------------------------	-------------------

NET ASSETS

Temporarily restricted	<u>\$ 152,460</u>
------------------------	-------------------

See Accompanying Notes to Financial Statements

**Louisiana Quarterhorse Breeders Association, Inc.
Video Poker Tax Supplement Fund**

**Statement of Activities
For the Year Ended December 31, 2011**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>
INCREASES IN NET ASSETS		
Video Poker Purse Supplements	\$ -	\$ 1,178,767
Dividends	-	149
	<u>-</u>	<u>1,178,916</u>
Total Increases	<u>-</u>	<u>1,178,916</u>
Net Assets Released from Restrictions:		
Restrictions Satisfied by Payments	\$ 1,342,967	(1,342,967)
	<u>1,342,967</u>	<u>(1,342,967)</u>
Increase (Decrease) in Net Assets	<u>1,342,967</u>	<u>(164,051)</u>
DECREASES IN NET ASSETS		
Program Services:		
Race Track Purse Supplements	1,342,967	-
	<u>1,342,967</u>	<u>-</u>
Total Decreases	<u>1,342,967</u>	<u>-</u>
Changes in Net Assets	-	(164,051)
NET ASSETS- Beginning of Year	<u>-</u>	<u>316,511</u>
NET ASSETS- End of Year	<u>\$ -</u>	<u>\$ 152,460</u>

See Accompanying Notes to Financial Statements

**Louisiana Quarterhorse Breeders Association, Inc.
Video Poker Tax Supplement Fund**

**Statement of Cash Flows
For the Year Ended December 31, 2011**

CASH FLOWS FROM OPERATING ACTIVITIES

Increase In Net Assets	<u>\$ (164,051)</u>
Net Cash Used by Operating Activities	(164,051)
CASH AND CASH EQUIVALENTS-Beginning of Year	<u>316,511</u>
CASH AND CASH EQUIVALENTS-End of Year	<u><u>\$ 152,460</u></u>

See Accompanying Notes to Financial Statements

**Louisiana Quarterhorse Breeders Association, Inc.
Video Poker Tax Supplement Fund**

**Notes to Financial Statements
For the Year Ended December 31, 2011**

NOTE A Nature Of Activities and Summary of Significant Accounting Policies

Presentation

The accompanying financial statements reflect financial position, results of operations and changes in net assets of the Video Poker Tax Supplement Fund only and do not include financial information of Louisiana Quarterhorse Breeders Association, Inc. taken as a whole. The members of Louisiana Quarterhorse Breeders Association, Inc. elect the board of directors of the Organization.

Nature of Activities

The Organization is a non-profit entity and is exempt from Federal income tax under section 501 © (5) of the Internal Revenue Code.

Louisiana State Act No. 627, Senate Bill 1169 of 1995 provides for allocation of quarter-horse purse supplements awarded from the Video Draw Poker Device Purse Supplement Fund. One-third of the funds appropriated to the commission pursuant to the act are allocated and provided to Louisiana Quarterhorse Breeders Association to be used to supplement purses for Louisiana bred quarter-horses. The funds are distributed periodically based on requests from Louisiana Quarterhorse Breeders Association for scheduled race days during active race meetings. The funds are maintained in a separate interest-bearing account and disbursed to the horsemen's bookkeeper for purse distribution.

Louisiana Quarterhorse Breeders Association, Inc. was formed to foster, protect and promote the welfare and interest of individuals and concerns engaged in the breeding of quarter-horses in Louisiana and to secure uniformity and equity in business usages and laws by bringing about programs of economic and educational value to all who engage in the breeding of quarter-horses.

Basis of Accounting

The financial statements of the Video Poker Tax Supplement Fund have been prepared on the accrual basis of accounting.

**Louisiana Quarterhorse Breeders Association, Inc.
Video Poker Tax Supplement Fund**

**Notes to Financial Statements
For the Year Ended December 31, 2011
(continued)**

Basis of Presentation

Financial statement presentation follows Financial Accounting Standards Board SFAS No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of assets; unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Video Poker Tax Supplement Fund is classified as temporarily restricted net assets and released from restriction when disbursements are made to race tracks.

Statement of Cash Flows

All highly liquid instruments purchased with a maturity of three months or less are considered to be cash equivalents for purposes of the statement of cash flows.

NOTE B Cash and Cash Equivalents

The Organization deposits all funds received from allocation of the Video Poker Tax Purse Supplement into a money market account at A.G. Edwards and Sons. Dividend income is reported as increases in temporarily restricted net assets in the reporting period in which the income is recognized. The Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

NOTE C Functional Allocation of Expenses

Administration costs of administering the Video Poker Tax Supplement activity are insignificant and have not been allocated in these financial statements.

NOTE D Restrictions on Net Assets

All restrictions on net assets at the end of 2011 relate to the specific purpose of race track purse supplements as enacted by Louisiana State Act No. 627. Temporarily restricted net assets available for periods after December 31, 2011 are \$ 152,460.

NOTE E Future Allocation of Receipts

The anticipated receipt of Video Poker Tax Supplement funds from the Louisiana State Racing Commission subsequent to December 31, 2011 can only be projected and can not be reasonably measured. No amounts have been recorded in the financial statements as a receivable. The Louisiana State Racing Commission operates on a June 30 fiscal year.

**Louisiana Quarterhorse Breeders Association, Inc.
Video Poker Tax Supplement Fund**

**Notes to Financial Statements
For the Year Ended December 31, 2011
(continued)**

NOTE F Race Track and Association Disbursements

Delta Downs	\$ 496,514
Evangeline Downs	385,574
HBPA Fair Grounds	79,825
La. Downs	327,163
La. Quarterhorse Assn	28,892
Quarterhorse Racing of La.	<u>25,000</u>
	<u><u>\$ 1,342,968</u></u>

NOTE G Related Party Transactions

La. Quarterhorse Breeders Association, Inc. conducts annual yearling and mixed sales. Some board members participate in these sales on occasions. The transactions between La. Quarterhorse Breeders Association, Inc. and board members are exchanged at an arms-length transaction with no special considerations.

NOTE H Subsequent Events

Management has evaluated subsequent events through February 15, 2012, the date the financial statements were issued. No events required disclosure.

**OTHER REPORT REQUIRED BY
FOR THE YEAR ENDED DECEMBER 31, 2011**

Paul Dauzat, CPA

MEMBER
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 12359
Alexandria, LA 71315

MEMBER
SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS (the Yellow Book)

Board of Directors
Louisiana Quarterhorse Breeders Association, Inc.
Video Poker Tax Supplement Fund

I have audited the financial statements of the Video Poker Tax Supplement Fund as of and for the year ended December 31, 2011, and have issued my report thereon dated February 15, 2012. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Video Poker Tax Supplement Fund's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Video Poker Tax Supplement Fund's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Video Poker Tax Supplement Fund's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Video Poker Tax Supplement Fund's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, board of directors, others within the entity, and government entities and is not intended to be and should not be used by anyone other than these specified parties.



Paul Dauzat
Certified Public Accountant
February 15, 2012

LOUISIANA QUARTERHORSE BREEDERS ASSOCIATION, INC.
VIDEO POKER TAX SUPPLEMENT FUND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2011

I have audited the financial statements of the Video Poker Tax Supplement Fund as of and for the year ended December 31, 2011, and have issued my report thereon dated February 15, 2012. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. My audit of the financial statements as of and for the year ended December 31, 2011 resulted in an unqualified opinion.

Section I - Summary of Auditor's Reports

Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material Weakness

☐ Yes

☒ No

Control Deficiency

☐ Yes

☒ No

Compliance

Non Compliance Material to Financial Statements

☐ Yes

☒ No

Section II - Financial Statement Findings

There were no Financial Statement findings or questioned costs.